

WOODFORD COUNTY SCHOOL DISTRICT

**Basic Financial Statements and Supplementary
Information**

Year ended June 30, 2005

WOODFORD COUNTY SCHOOL DISTRICT

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WOODFORD COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Woodford County School District
Versailles, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodford County School District (the "District") as of June 30, 2005 and for the year then ended which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Woodford County School District as of June 30, 2005 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued report dated September 1, 2005 on our consideration of Woodford County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 8 and 41 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements shown on Pages 37 through 40 are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 43 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mountjoy & Brunsley, L.L.P.

Lexington, Kentucky
September 1, 2005

**WOODFORD COUNTY PUBLIC SCHOOL DISTRICT – VERSAILLES, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

As management of the Woodford County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. This is the third year the District has prepared the annual financial report using the new financial reporting model. The reporting model is a combination of both government-wide financial statements and fund financial statements.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$7.3 million in 2004 and \$5.0 million in 2005. This is a decrease of \$2.3 million. The difference is attributable to expenditure of 2003 bond proceeds on a new middle school construction project. The funds had been designated in 2003 for that purpose.
- From 2004 to 2005, total general fund revenue increased by \$1.5 million, due to identification and collection of omitted utility tax payments plus increased local taxes and state SEEK funds. The District has experienced a decline in distilled spirits tax revenue, and tuition receipts have decreased due to restricted approvals of open enrollment policies. A national increase in interest rates has produced an increased return on invested funds.
- Among major funds, the General Fund had \$20 million in revenue, which consisted primarily of local property, utilities, and motor vehicle taxes, state funding (the SEEK program), and on-behalf payments. There were \$21 million in expenditures.
- The state mandated a two percent across-the-board salary increase for the entire year, and an additional one percent for the second half of the year. In the absence of a state budget, the Governor's spending plan stipulated that the district fund balance be used as the source of funds, in lieu of any increase in state funding. Therefore, District expenditures exceeded revenue.
- Between 2004 and 2005, one board member was replaced through the election process. The Superintendent and Board Chair remain the same.
- The District maintained its long-range plan for facilities during fiscal year 2005. The District took occupancy of a new middle school, and finalized plans for renovation of Simmons elementary school.
- At times, bonds are issued as the District renovates and builds new facilities consistent with the long-range facility plan and in keeping with Kentucky Department of Education's (KDE's) stringent compliance requirements. In 2005, the district refunded a 1996 series in order to take advantage of decreased interest rates. In the short term, this has the effect of increasing debt, but the long term interest savings to the district more than offset the temporary increase in principal. The District's total debt in outstanding bonds increased by \$6.5 million this year, with a balance of \$36.6 million, compared to \$30.1 million for 2004. However, as a component of the refunding, \$7.9 million is held in escrow by the district's paying agent for future payments of the non-callable portion of the original bond.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The proprietary fund includes the food service and daycare operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 - 15 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$11 million.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2005

This is the third year that the District is following GASB 34 and comparing assets, liabilities, and net assets. 2005 Government Wide Net Assets compared to 2004 are as follows:

Table One:
Net Assets

	2005	2004
Current assets	\$ 13,078,136	\$ 10,966,480
Noncurrent assets	36,597,679	32,827,337
Total assets	\$ 49,675,809	\$ 43,793,817
Current liabilities	\$ 2,747,451	\$ 3,387,854
Noncurrent liabilities	35,437,456	29,142,238
Total liabilities	\$ 38,184,907	\$ 32,530,092
Net Assets		
Investment in capital assets (net of related debt)	\$ 6,940,539	\$ 2,303,779
Restricted	3,350,332	7,313,558
Unrestricted	1,200,031	1,646,388
Total net assets	\$ 11,490,902	\$ 11,263,725

The following is a significant current year transaction that has had an impact on the Statement of Net Assets:

Construction bond proceeds were not fully expended on June 30, 2004, and were pending completion of the new school. Substantial completion occurred in 2005, resulting in reduction in excess construction fund cash and corresponding increase in capital asset value.

Table Two contains a comparison of capital assets between 2005 and 2004.

Table Two:
Capital Assets (Net of Depreciation)

	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total
	2005	2004	2005	2004	2005	2004
Land	\$ 1,474,118	\$ 1,474,118	\$ -	\$ -	\$ 1,474,118	\$ 1,474,118
Land Improvements	205,570	147,950	-	-	205,570	147,950
Buildings and Building Improvements	31,618,494	16,322,358	-	-	31,618,494	16,322,358
Technology Equipment	612,956	339,970	2,334	3,261	615,290	343,231
Vehicles	1,073,992	1,075,377	-	-	1,073,992	1,075,377
General Equipment	1,087,687	453,712	-	-	1,087,687	453,712
Food Service Equipment	-	-	116,852	78,844	116,852	78,844
Construction in Progress	-	12,637,588	-	-	-	12,637,588
	-	-	-	-	-	-
Total	\$ 36,072,817	\$ 32,451,073	\$ 119,186	\$ 82,105	\$ 36,192,003	\$ 32,533,178

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Implications

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's budget is prepared according to Kentucky law and is based upon certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year, but are, nevertheless, reflected in the overall budget. The Board, in compliance with statute, adopts a tentative budget by the end of May for the subsequent year. A working budget is adopted by the end of September for each fiscal year, following the determination of the enrollment at the beginning of the new school year, the tax assessments and rates that will be used to determine the property tax revenues, and the salaries for the new employees/positions.

The most significant budgeted fund is the General Fund. By law, the budget for the General Fund must have a minimum 2% contingency, based upon expenses for all non-construction funds. The Board adopted a working budget for fiscal year 2005 with a contingency of \$762,983. This represents 2.8% of the budgeted expense for all non-construction funds. Each construction project maintains its own contingency, which amounts to 5% for a major project.

Generally, there are no major subsequent adjustments to the budget adopted in September. Additional grants, however, as a part of the Special Revenue Fund, are added if/when they are awarded.

Comments on Budget Comparisons

- The District's total governmental fund revenues for the fiscal year ended June 30, 2005, net of interfund transfers and on-behalf revenue, were \$22 million.
- General fund budget compared to actual revenue, excluding on-behalf payments, varied slightly from line item to line item, with the ending actual balance being \$1 million more than budget. This was attributable primarily to increased local tax revenue, including the collection of taxpayers' previously omitted property taxes and increased interest rates.
- The total cost of all programs and services was \$27 million, net of interfund transfers and on-behalf payments. This included expending \$4 million of prior year bond proceeds that were restricted to complete construction in progress.
- General fund budget compared to actual expenditures, excluding on-behalf payments, varied slightly from line item to line item, with the actual ending balance being \$460 thousand more than budget, exclusive of contingency. This was due to revenue from delinquent utility taxes being expended for one-time needs throughout the district. Contingency budget to actual expenditures varied by \$762 thousand, due to planned, and mandated, preservation of those contingency funds.
- Expenditure functions that include personnel costs reflect a negative actual versus budget in the employee benefits category due to recording of unbudgeted on-behalf payments. On-behalf payments, as defined by KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, flexible spending medical reimbursement accounts, teacher retirement contributions, and administration fees. For the audited financial reports, such on-behalf payments were added to the District's related revenue and expense line items. It is notable that on-behalf payments represent state obligations and not District obligations. Therefore, they have not been included as part of the budgeting process for the General Fund. As a result, the variances between amounts budgeted for the General Fund and the actual results may be skewed by on-behalf payments. Further discussion of these can be found in Note Q on page 35.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2005 and 2004.

Table Three:
Revenue and Expense Summary

		2005 \$	2004 \$
Revenues:			
	Local revenue sources	\$ 10,454,907	\$ 9,884,079
	State revenue sources	13,366,322	12,971,444
	Federal revenue sources	1,427,190	1,414,626
	Investments	280,478	222,125
	Other revenues	577,003	380,954
	Other sources	-	14,550
	Total revenue	26,105,900	24,887,778
Expenses:			
	Instruction	15,653,474	15,356,878
	Student support services	745,386	734,093
	Instructional support services	786,366	746,093
	District administration	664,660	614,871
	School administration	1,190,324	1,094,322
	Business support	298,936	339,616
	Plant operation & maintenance	2,392,928	1,986,061
	Student transportation	1,430,394	1,334,425
	Central office support	163,412	182,219
	Facility acquisition and construction	4,326,391	11,671,597
	Community services	273,410	235,107
	Other expenses	2,714,346	2,311,169
	Total expenses:	30,640,027	36,606,451
	Expenses in excess of revenue	\$ (4,534,127)	\$ (11,718,673)

* Includes \$4.3 million expended in 2005 from carry-forward bond proceeds for construction project in process.

- The changes in the balances and transactions of individual funds, except as noted above, have not been material. Changes in final budget when compared to original are not material
- In 2005, there was an increase in plant operation and maintenance due to payments for architectural and engineering design services for a planned renovation project. It is anticipated that these funds will be reimbursed to the General Fund when a bond sale is finalized early in 2006.
- Under Kentucky statute, state SEEK funding is tied to District property assessments and student average daily attendance. In 2005, the District's property values increased somewhat, while student attendance remained fairly level. Consequently, the state revenue decreased proportionately, causing a minor shift in funding percentages. Additionally, federal and other income increased in 2005, which modified its percentage share. In 2005, exclusive of on-behalf payments, 49.4% of General Fund revenue was derived from local revenues and 47.3% from state funding, as compared with 49.7% and 49.5% respectively in fiscal 2004. This is illustrated in Table Four.

Table Four:
General Fund Revenue

Revenue Source	2005 \$	2005 %	2004 \$	2004 %
Local Revenue	\$ 8,662,262	49.4 %	\$ 8,019,033	49.7 %
State Revenue	8,307,473	47.3 %	7,989,622	49.5 %
Federal & Other Sources	583,425	3.3 %	134,082	0.8 %
Total Revenue	\$ 17,553,160	100.0 %	\$ 16,142,737	100.0 %

Site Based Decision Making (SBDM) Councils expended 76% of the general fund budget in 2005, compared to 70% in 2004. The majority of the Non-SBDM funds were allocated for transportation and services for children with special needs. The remaining shares were budgeted for district-wide initiatives and central support services. Table Five depicts the allocation of General Fund resources, which excludes fund transfers, for fiscal years 2005 compared with 2004.

Table Five:
General Fund Budget by Category

Category	2005 \$	2005 %	2004 \$	2004 %
Employee Salaries & Benefits	\$ 14,741,032	80.8 %	\$ 14,382,468	78.9 %
Books, Supplies, Equipment	1,558,353	8.5 %	1,882,597	10.3 %
Contracted Services & Other	1,172,918	6.4 %	1,195,748	6.6 %
Contingency	762,983	4.3 %	774,080	4.2 %
Total	\$ 18,235,286	100.0 %	\$ 18,234,893	100.0 %

The high percentage of budget that has been allocated to personnel costs underlines the District's commitment to improving student achievement. It has been well documented that direct teacher-to-student instruction has the greatest impact on educational success.

Business-Type Activity

The business-type activities of the District are the food service and daycare operations.

The greatest portion of the revenues for food service come from sales to students and others, plus federal and state contributions. The federal government also contributes commodities to assist with cost of food served. The District continues to monitor the food service operation to ensure that it does not require large contributions from the General Fund. Prices for meals and other products sold are increased from time to time to ensure that revenues are sufficient for this operation to be self-supporting.

Two facilities provide daycare for infant through pre-school age children. The daycare operation derives its revenue from tuition-paying students. The operation is continuously monitored to ensure that it is self-supporting, and tuition prices are adjusted as needed to accommodate that objective.

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, and creditors with the general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments regarding this report should be directed by mail to Paul Stahler, Superintendent, or Gail Binder, Director of Finance and Budget, at 330 Pisgah Pike, Versailles, KY 40383.

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

Year ended June 30, 2005

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,023,259	\$ 20,500	\$ 5,043,759
Prepays	6,890	-	6,890
Inventory	-	43,114	43,114
Investments	7,543,426	-	7,543,426
Accounts receivable			
Taxes	184,484	-	184,484
Intergovernmental - State	48,118	-	48,118
Intergovernmental - Federal	107,471	49,701	157,172
Other receivables	<u>48,752</u>	<u>2,421</u>	<u>51,173</u>
Total current assets	<u>12,962,400</u>	<u>115,736</u>	<u>13,078,136</u>
Noncurrent assets			
Capital assets, net	34,598,699	119,186	34,717,885
Nondepreciable capital assets	1,474,118	-	1,474,118
Bond issue costs	<u>405,670</u>	<u>-</u>	<u>405,670</u>
Total noncurrent assets	<u>36,478,487</u>	<u>119,186</u>	<u>36,597,673</u>
Total assets	<u>\$ 49,440,887</u>	<u>\$ 234,922</u>	<u>\$ 49,675,809</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 237,353	\$ (3)	\$ 237,350
Interest payable	554,893	-	554,893
Current portion of long term obligations	1,600,000	-	1,600,000
Current portion of capital lease obligations	15,476	-	15,476
Deferred revenues	115,133	-	115,133
Other current liabilities	<u>224,599</u>	<u>-</u>	<u>224,599</u>
Total current liabilities	<u>2,747,454</u>	<u>(3)</u>	<u>2,747,451</u>
Noncurrent liabilities			
Noncurrent portion of long term liabilities	35,170,900	-	35,170,900
Noncurrent portion of capital lease obligations	8,514	-	8,514
Noncurrent portion of accrued sick leave	<u>258,042</u>	<u>-</u>	<u>258,042</u>
Total noncurrent liabilities	<u>35,437,456</u>	<u>-</u>	<u>35,437,456</u>
Total liabilities	<u>\$ 38,184,910</u>	<u>\$ (3)</u>	<u>\$ 38,184,907</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 6,821,353	\$ 119,186	\$ 6,940,539
Restricted for:			
Capital projects	3,348,241	-	3,348,241
Debt service	2,091	-	2,091
Unrestricted	<u>1,084,292</u>	<u>115,739</u>	<u>1,200,031</u>
Total net assets	<u>\$ 11,255,977</u>	<u>\$ 234,925</u>	<u>\$ 11,490,902</u>

WOODFORD COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 16,313,006	\$ 36,767	\$ 2,953,806	\$ -	\$ (13,322,433)	\$ -	\$ (13,322,433)
Support services							
Student	740,073	-	-	-	(740,073)	-	(740,073)
Instruction staff	794,323	-	-	-	(794,323)	-	(794,323)
District administration	667,403	-	-	-	(667,403)	-	(667,403)
School administration	1,169,724	-	-	-	(1,169,724)	-	(1,169,724)
Business	278,698	-	-	-	(278,698)	-	(278,698)
Plant operation and maintenance	2,396,931	11,247	-	-	(2,385,684)	-	(2,385,684)
Student transportation	1,447,959	16,066	-	-	(1,431,893)	-	(1,431,893)
Central office	161,815	-	-	-	(161,815)	-	(161,815)
Facilities acquisition and construction	-	-	-	426,506	426,506	-	426,506
Community service activities	277,700	-	-	-	(277,700)	-	(277,700)
Interest on long-term debt	1,531,928	-	-	-	(1,531,928)	-	(1,531,928)
Other expenditures	22,952	-	-	-	(22,952)	-	(22,952)
Total governmental activities	25,802,512	64,080	2,953,806	426,506	(22,358,120)	-	(22,358,120)
Business-Type Activities							
Food service and summer feeding	1,597,277	892,554	491,919	75,438	-	(137,366)	(137,366)
Daycare	92,375	88,569	-	-	-	(3,806)	(3,806)
Total business-type activities	1,689,652	981,123	491,919	75,438	-	(141,172)	(141,172)
Total primary government	\$ 27,492,164	\$ 1,045,203	\$ 3,445,725	\$ 501,944	\$ (22,358,120)	\$ (141,172)	\$ (22,499,292)
General Revenues:							
Property taxes					\$ 7,854,178	\$ -	\$ 7,854,178
Delinquent property tax					50,699	-	50,699
Distilled spirits tax					83,799	-	83,799
Motor vehicle taxes					759,853	-	759,853
Utility taxes					1,516,267	-	1,516,267
Other taxes					67,622	-	67,622
Investment earnings					280,479	1,890	282,369
State aid formula grants					11,515,348	80,254	11,595,602
Loss on sale of fixed assets					(17,882)	(2,120)	(20,002)
Miscellaneous					533,264	2,818	536,082
Total general revenues					22,643,627	82,842	22,726,469
Change in net assets					285,507	(58,330)	227,177
Net assets, beginning of year					10,970,470	293,255	11,263,725
Net assets, end of year					11,255,977	234,925	11,490,902

See accompanying independent auditor's report and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

Year ended June 30, 2005

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Building Fund	Capital Outlay (Nonmajor)	Total Governmental Funds
Assets and resources							
Cash and cash equivalents	\$ 1,694,752	\$ (40,487)	\$ 594,555	\$ 2,091	\$ 2,772,348	\$ -	\$ 5,023,259
Prepaids	6,890	-	-	-	-	-	6,890
Investments	-	-	-	7,543,426	-	-	7,543,426
Accounts receivable							
Taxes	184,484	-	-	-	-	-	184,484
Intergovernmental - state	-	48,118	-	-	-	-	48,118
Intergovernmental - Federal	-	107,471	-	-	-	-	107,471
Other receivables	48,722	30	-	-	-	-	48,752
Total assets and resources	\$ 1,934,848	\$ 115,132	\$ 594,555	\$ 7,545,517	\$ 2,772,348	\$ -	\$ 12,962,400
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 218,692	\$ -	\$ 18,662	\$ -	\$ -	\$ -	\$ 237,354
Current portion of accrued sick leave	135,543	-	-	-	-	-	135,543
Deferred revenue	-	115,132	-	-	-	-	115,132
Accrued vacation	89,056	-	-	-	-	-	89,056
Total liabilities	443,291	115,132	18,662	-	-	-	577,085
Fund balances							
Reserved							
Retirement leave payable	50,883	-	-	-	-	-	50,883
Unreserved							
Undesignated, reported in:							
General fund	1,440,674	-	-	-	-	-	1,440,674
Building funds	-	-	-	-	2,772,348	-	2,772,348
Construction funds	-	-	575,893	-	-	-	575,893
Debt service funds	-	-	-	7,545,517	-	-	7,545,517
Total fund balances	1,491,557	-	575,893	7,545,517	2,772,348	-	12,385,315
Total liabilities and fund balances	\$ 1,934,848	\$ 115,132	\$ 594,555	\$ 7,545,517	\$ 2,772,348	\$ -	\$ 12,962,400

See accompanying independent auditor's report and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2005

Total fund balance per fund financial statements	\$ 12,385,315
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	36,072,817
Certain assets are not reported in the fund financial statements because they are not available to pay current period expenditures, but they are reported in the statement of net assets.	405,670
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable but they are presented in the statement of net assets.	<u>(37,607,825)</u>
Net assets of governmental activities	\$ <u>11,255,977</u>

See accompanying independent auditor's report and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2005

Revenues	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Building Fund	Capital Outlay (Nonmajor)	Total Governmental Funds
From local sources							
Property taxes	\$ 6,039,908	\$ -	\$ -	\$ -	\$ 1,864,970	\$ -	\$ 7,904,878
Motor vehicle taxes	759,853	-	-	-	-	-	759,853
Utility taxes	1,516,267	-	-	-	-	-	1,516,267
Distilled spirits taxes	83,799	-	-	-	-	-	83,799
Other taxes	67,622	-	-	-	-	-	67,622
Tuition and fees	18,661	-	-	-	-	-	18,661
Earnings on investments	176,152	525	37,202	66,599	-	-	280,478
Other local revenues	-	103,827	-	-	-	-	103,827
State sources							
SEEK	8,284,615	-	-	-	-	-	8,284,615
On-behalf revenues	3,203,132	-	-	-	-	-	3,203,132
Other	22,858	899,087	-	530,124	81,146	345,360	1,878,575
Federal - indirect	6,422	1,420,768	-	-	-	-	1,427,190
Other revenues	577,003	-	-	-	-	-	577,003
Total revenue	20,756,292	2,424,207	37,202	596,723	1,946,116	345,360	26,105,900
Expenditures							
Instruction	13,574,863	2,078,611	-	-	-	-	15,653,474
Support services							
Student	745,386	-	-	-	-	-	745,386
Instruction staff	635,995	150,371	-	-	-	-	786,366
District administration	664,660	-	-	-	-	-	664,660
School administration	1,190,324	-	-	-	-	-	1,190,324
Business	298,936	-	-	-	-	-	298,936
Plant operation and maintenance	2,392,928	-	-	-	-	-	2,392,928
Student transportation	1,430,394	-	-	-	-	-	1,430,394
Central office	163,412	-	-	-	-	-	163,412
Facilities acquisition and construction	-	-	4,326,391	-	-	-	4,326,391
Community service activities	30,526	242,884	-	-	-	-	273,410
Debt service	-	-	-	2,714,346	-	-	2,714,346
Total expenditures	21,127,424	2,471,866	4,326,391	2,714,346	-	-	30,640,027
Excess (deficit) of revenues over expenditures	(371,132)	(47,659)	(4,289,189)	(2,117,623)	1,946,116	345,360	(4,534,127)

See accompanying independent auditor's report and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2005

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Building Fund	Capital Outlay (Nonmajor)	Total Governmental Funds
Other financing sources (uses)							
Proceeds from sale of bonds	-	-	-	7,695,537	-	-	7,695,537
Proceeds from sale of fixed assets	19,889	-	-	-	-	-	19,889
Operating transfers in	-	47,659	-	1,906,096	-	-	1,953,755
Operating transfers out	(47,659)	-	-	-	(1,560,736)	(345,360)	(1,953,755)
Total other financing sources (uses)	<u>(27,770)</u>	<u>47,659</u>	<u>-</u>	<u>9,601,633</u>	<u>(1,560,736)</u>	<u>(345,360)</u>	<u>7,715,426</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(398,902)	-	(4,289,189)	7,484,010	385,380	-	3,181,299
Fund balance, June 30, 2004	<u>1,890,459</u>	<u>-</u>	<u>4,865,082</u>	<u>61,507</u>	<u>2,386,968</u>	<u>-</u>	<u>9,204,016</u>
Fund balance, June 30, 2005	<u>\$ 1,491,557</u>	<u>\$ -</u>	<u>\$ 575,893</u>	<u>\$ 7,545,517</u>	<u>\$ 2,772,348</u>	<u>\$ -</u>	<u>\$ 12,385,315</u>

See accompanying independent auditor's report and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2005

Net change in total fund balances per fund financial statements	\$ 3,181,299
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation for the year.

3,659,516

Bond accrued interest, capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.

(6,629,048)

Bond issuance costs are recognized as expenditures of current financial resources in the fund financial statement but are capitalized and amortized in the statement of activities. This amount is in the current year amortization expense.

111,511

Gains and losses are not presented in this financial statement because they do not provide or use current financial resources, but they are presented in the statement of activities.

(37,771)

Change in net assets of governmental activities

\$ 285,507

See accompanying independent auditor's report and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2005

	Food Service and Summer Feeding Fund	Other Enterprise Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ (25,372)	\$ 45,872	\$ 20,500
Inventory	43,114	-	43,114
Accounts receivable			
Intergovernmental - direct Federal	49,701	-	49,701
Other receivables	31	2,390	2,421
Total current assets	67,474	48,262	115,736
Noncurrent assets			
Capital assets	496,778	-	496,778
Less: accumulated depreciation	(377,592)	-	(377,592)
Total noncurrent assets	119,186	-	119,186
Total assets	\$ 186,660	\$ 48,262	\$ 234,922
LIABILITIES			
Current liabilities			
Accounts payable	\$ (3)	\$ -	\$ (3)
Total current liabilities	(3)	-	(3)
NET ASSETS			
Invested in capital assets, net of related debt	119,186	-	119,186
Unrestricted	67,477	48,262	115,739
Total net assets	\$ 186,663	\$ 48,262	\$ 234,925

See accompanying independent auditor's report
and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

Year ended June 30, 2005

	Food Service and Summer Feeding Fund	Other Enterprise Fund	Total
Operating revenues			
Lunchroom sales	\$ 892,554	\$ -	\$ 892,554
Other operating revenues	<u>2,818</u>	<u>88,569</u>	<u>91,387</u>
Total operating revenues	<u>895,372</u>	<u>88,569</u>	<u>983,941</u>
Operating expenses			
Salaries and wages	750,185	85,386	835,571
Materials and supplies	826,014	6,813	832,827
Depreciation	20,005	-	20,005
Loss on disposal of fixed assets	2,120	-	2,120
Other operating expenses	<u>1,073</u>	<u>176</u>	<u>1,249</u>
Total operating expenses	<u>1,599,397</u>	<u>92,375</u>	<u>1,691,772</u>
Operating loss	(704,025)	(3,806)	(707,831)
Non-operating revenues			
Federal grants	474,296	-	474,296
Donated commodities	75,438	-	75,438
On-behalf revenues	71,821	8,433	80,254
State grants	17,623	-	17,623
Interest income	<u>1,890</u>	<u>-</u>	<u>1,890</u>
Total non-operating revenues	<u>641,068</u>	<u>8,433</u>	<u>649,501</u>
Net (loss) income	(62,957)	4,627	(58,330)
Net assets, beginning of year	<u>249,620</u>	<u>43,635</u>	<u>293,255</u>
Net assets, end of year	<u>\$ 186,663</u>	<u>\$ 48,262</u>	<u>\$ 234,925</u>

See accompanying independent auditor's report
and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

Year Ended June 30, 2005

Cash Flows From Operating Activities

Cash received from:

Lunchroom sales	\$ 892,554
Governmental grants	640,317
Other activities	91,387

Cash paid for:

Employees	(835,571)
Supplies	(826,570)
Other activities	<u>(1,249)</u>

Net cash used in operating activities (39,132)

Cash Flows From Capital and Related Financing Activities

Purchases of capital assets (59,206)

Cash Flows From Investing Activities

Receipt of interest income 1,890

Net decrease in cash and cash equivalents (96,448)

Balance, beginning of year 116,948

Balance, end of year \$ 20,500

Reconciliation of operating loss to net cash used in operating activities:

Operating loss \$ (58,330)

Adjustments to reconcile operating loss to net cash used by operating activities:

Depreciation	20,005
Interest	(1,890)
Loss on disposal of fixed assets	2,120
Changes in assets and liabilities	
Receivables	(7,294)
Inventory	6,185
Accounts payable	<u>72</u>

Net cash used in operating activities \$ (39,132)

See accompanying independent auditor's report
and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

Year ended June 30, 2005

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>426,771</u>
Total assets	\$ <u>426,771</u>
Liabilities	
Accounts payable	\$ 3,986
Due to student groups	<u>422,785</u>
Total liabilities	\$ <u>426,771</u>

See accompanying independent auditor's report
and notes to financial statements.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Woodford County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Woodford County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Woodford County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or are dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Woodford County Board of Education Finance Corporation - On December 10, 1990 the Board of Education resolved to authorize the establishment of the Woodford County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency of the District for financing the costs of school building facilities. The members of the Woodford County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 43 through 44. This is a major fund of the District.

(C) The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a Proprietary Fund).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan. This is a nonmajor fund of the District.

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

(D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

II. Proprietary Fund Types (Enterprise Fund)

(A) The Food Service and Summer Feeding Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Fund)

(A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2005 were \$0.478 per \$100 valuation for real property, \$0.493 per \$100 valuation for business personal property and \$0.509 per \$100 valuation for motor vehicles.

The District levies a 3.0% utility tax on all businesses and households within the District.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of technology purchases for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accumulated Unpaid Sick Leave and Vacation

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Upon retirement or separation from the school district, an employee is also entitled to a payout of their accrued vacation. Vacation is accrued at varying rates depending upon length of service. The maximum vacation accrual is 327.99 hours unless the employee had already accrued more than 327.99 hours when the vacation policy was adopted.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Budgetary amendments are made during the year to reflect new revenue sources and the receipt of the District's growth calculation.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Inventory is stated at cost using the specific identification method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2005 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

an expenditure/expense is reported in the year in which services are consumed.

Investments

GASB 31 requires investments to be carried at fair value with unrealized changes being recorded in the statements of revenues, expenditures and changes in fund balance. The District invests in U.S. Treasuries, whose cost approximates fair value.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, accumulated sick leave, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE C - CASH AND CASH EQUIVALENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank balances are covered by Federal Depository Insurance up to \$100,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2005 consisted of the following:

	Bank Balance	Book Balance
United Bank	\$ 6,615,749	\$ 5,465,737
National City Bank	4,793	4,793
	<u>\$ 6,620,542</u>	<u>\$ 5,470,530</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 5,023,259
Proprietary funds	20,500
Agency funds	426,771
	<u>\$ 5,470,530</u>

NOTE D - INVESTMENTS

As of June 30, 2005, the District had the following investments:

Investment Type	Fair Value	Maturity
U.S. Governmental agencies	\$ 7,160,795	2006
U.S. Treasury notes	382,631	2005
Total	<u>\$ 7,543,426</u>	

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is allowed by state statute to invest in U.S. government agencies and U.S. treasuries which are obligations of the United States government pledged by its full faith and credit. All investments held by the District are insured or collateralized with securities held by the District or by its agent in the District's name.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE E- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
<u>Governmental Activities</u>				
Cost				
Land	\$ 1,474,118	\$ -	\$ -	\$ 1,474,118
Land improvements	218,394	71,908	-	290,302
Buildings	28,164,675	17,169,246	970,185	44,363,736
Technology	3,108,252	453,739	831,097	2,730,894
Vehicles	3,074,337	214,156	65,000	3,223,493
General equipment	957,121	746,899	63,311	1,640,709
Construction in progress	<u>12,637,588</u>	<u>-</u>	<u>12,637,588</u>	<u>-</u>
Totals at historical cost	<u>\$ 49,634,485</u>	<u>\$ 18,655,948</u>	<u>\$ 14,567,181</u>	<u>\$ 53,723,252</u>

	Balance July 1, 2004	Depreciation	Disposals	Balance June 30, 2005
Accumulated Depreciation				
Land improvements	\$ 70,444	\$ 14,288	\$ -	\$ 84,732
Buildings	11,842,317	902,925	-	12,745,242
Technology	2,768,282	168,141	818,485	2,117,938
Vehicles	1,998,960	215,541	65,000	2,149,501
General	<u>503,409</u>	<u>87,764</u>	<u>38,151</u>	<u>553,022</u>
Total accumulated depreciation	<u>\$ 17,183,412</u>	<u>\$ 1,388,659</u>	<u>\$ 921,636</u>	<u>\$ 17,650,435</u>

Governmental Activities

Depreciable capital assets	18,339,367	34,598,699
Non-depreciable capital assets	<u>14,111,706</u>	<u>1,474,118</u>
Total governmental activities capital assets, net	<u>\$ 32,451,073</u>	<u>\$ 36,072,817</u>

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Business-Type Activities</u>				
Cost				
Food service equipment	\$ 422,724	\$ 58,145	\$ 6,320	\$ 474,549
Technology equipment	<u>28,368</u>	<u>1,061</u>	<u>7,200</u>	<u>22,229</u>
Totals at historical cost	<u>\$ 451,092</u>	<u>\$ 59,206</u>	<u>\$ 13,520</u>	<u>\$ 496,778</u>

	<u>Balance</u> <u>July 1, 2004</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2005</u>
Accumulated Depreciation				
Food service equipment	\$ 343,879	\$ 18,018	\$ 4,200	\$ 357,697
Technology equipment	<u>25,108</u>	<u>1,987</u>	<u>7,200</u>	<u>19,895</u>
Total accumulated depreciation	<u>\$ 368,987</u>	<u>\$ 20,005</u>	<u>\$ 11,400</u>	<u>\$ 377,592</u>

Business-Type Activities

Total business-type activities capital assets, net	<u>\$ 82,105</u>	<u>\$ 119,186</u>
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Depreciation expense for the year ended June 30, 2005 for governmental activities by function is summarized below:

Instructional	\$ 1,113,830
Instruction student support	2,987
Instruction staff support	9,018
District administration	8,750
School administration	5,107
Business support services	6,056
Plant operations and maintenance	20,817
Student transportation	212,607
Central office support services	960
Community services	<u>8,527</u>
Total	<u>\$ 1,388,659</u>

WOODFORD COUNTY SCHOOL DISTRICT**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2005

NOTE F - CAPITAL LEASE OBLIGATIONS

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2005:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 16,836
2007	6,543
2008	<u>2,414</u>
	25,793
Less amount representing interest	<u>1,803</u>
Present value of minimum lease payments	\$ <u>23,990</u>
Current maturities	\$ 15,476
Noncurrent maturities	<u>8,514</u>
	\$ <u>23,990</u>

The property under capital lease has a cost of \$39,420.

NOTE G - BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1994	\$ 750,000	4.700% - 6.000%
1996A	215,000	4.875% - 5.650%
1996B	7,675,000	4.200% - 4.300%
1998	6,000,000	1.000% - 4.300%
2003	17,865,000	2.000% - 4.250%
2004	7,830,000	2.000% - 3.750%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Woodford County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1987 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. As of June 30, 2005 the total bond principal and interest due was \$36,770,900 and \$11,868,667, respectively. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

	Woodford County School District		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2005-2006	\$ 1,176,858	\$ 1,290,732	\$ 423,142	\$ 141,563	\$ 1,600,000	\$ 1,432,295
2006-2007	8,197,831	1,110,299	383,069	81,637	8,580,900	1,191,936
2007-2008	1,082,104	888,764	287,896	67,732	1,370,000	956,496
2008-2009	1,112,956	855,625	297,044	55,660	1,410,000	911,285
2009-2010	1,150,414	820,428	309,586	43,119	1,460,000	863,547
2010-2011	1,185,951	782,645	179,049	32,963	1,365,000	815,608
2011-2012	1,225,053	742,553	124,947	26,678	1,350,000	769,231
2012-2013	1,265,519	701,214	129,481	21,415	1,395,000	722,629
2013-2014	1,309,903	658,648	135,097	15,799	1,445,000	674,447
2014-2015	1,354,299	613,143	130,701	10,129	1,485,000	623,272
2015-2016	1,408,580	564,328	106,420	5,302	1,515,000	569,630
2016-2017	1,457,367	512,346	82,633	1,625	1,540,000	513,971
2017-2018	1,555,000	457,353	-	-	1,555,000	457,353
2018-2019	1,610,000	398,981	-	-	1,610,000	398,981
2019-2020	1,675,000	336,341	-	-	1,675,000	336,341
2020-2021	1,740,000	269,088	-	-	1,740,000	269,088
2021-2022	1,815,000	197,988	-	-	1,815,000	197,988
2022-2023	1,890,000	122,706	-	-	1,890,000	122,706
2024-2024	1,970,000	41,863	-	-	1,970,000	41,863
	<u>\$34,181,835</u>	<u>\$11,365,045</u>	<u>\$ 2,589,065</u>	<u>\$ 503,622</u>	<u>\$36,770,900</u>	<u>\$11,868,667</u>

During the year ended June 30, 2005 the District made principal payments of \$1,375,000.

School Building Refunding Revenue Bonds

During 2005, the Board issued school building refunding bonds to defease certain bonded lease obligations totaling \$7,370,900. The refunding issue of \$7,830,000 provided resources to purchase U.S. Government Securities that were placed in an irrevocable escrow fund for the purpose of generating resources for all future debt service payments of the bonded lease obligations. This advance refunding was undertaken to reduce total debt service payments by \$557,177 and to obtain an economic gain (difference between the present value of the debt service payments of the defeased and refunding bonds) of \$453,580.

Various bond issuance fees were incurred in conjunction with the issuance of the 2005 refunding revenue bond. These fees, totaling \$134,463, were expensed as incurred during the year.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE H - OPERATING LEASE

The following is a schedule by years of future minimum rental payments required under operating leases for office equipment that have initial noncancellable lease terms in excess of one year as of June 30, 2005:

Year Ending <u>June 30,</u>	
2006	\$ 15,000
2007	13,023
2008	3,861
2009	960
2010	<u>80</u>
Total	\$ <u>32,924</u>

Total rent expense amounted to \$27,562 for the year ended June 30, 2005.

NOTE I - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J - LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress

NOTE K - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE L - RISK MANAGEMENT

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - RETIREMENT PLAN

Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the Federal programs for any salaries paid by that program at 13.105%.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 8.48% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$16,386,735. The payroll for employees covered under KTRS was \$11,885,714 and for CERS was \$3,988,220.

The contribution requirement for CERS for the year ended June 30, 2005 was \$537,614 which consisted of \$338,202 from the Board and \$199,412 from the employees. The contribution requirement for KTRS is \$80,732 from the District and \$1,171,337 from the employees. The District's KTRS contribution is paid from federal grant monies for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS June 30, 2004	CERS June 30, 2004
Assets available for plan benefits, at fair value	\$ 14,255,131,000	\$ 5,187,851,530
Pension benefit obligation	(17,617,626,000)	(4,936,459,488)
	<u>\$ (3,362,495,000)</u>	<u>\$ 251,392,042</u>

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2004 comprehensive annual financial reports.

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE N - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	\$	(4,289,189)
Food Service		(62,957)
General		(398,901)

NOTE O - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE P - COMMITMENTS

During the year ended June 30, 2003 the District entered into a construction contract to build a new middle school. Construction on this project began in May 2003 and is expected to be completed in late 2004. Remaining amounts due are included in accounts payable or in encumbrances on the balance sheet.

WOODFORD COUNTY SCHOOL DISTRICT**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2005

NOTE Q - ON-BEHALF PAYMENTS

For the year ended June 30, 2005 total payments of \$3,283,386 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District.

NOTE R - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	\$ 47,659
Operating	Capital Outlay	Debt Service	Debt Service	345,360
Operating	Building	Debt Service	Debt Service	1,560,736

NOTE S - SUBSEQUENT EVENT

On August 11, 2005 the District issued revenue bonds in the amount of \$4,950,000 in order to finance the renovation of Simmons Elementary School. The bonds will be paid over twenty years and will mature on August 1, 2026.

SUPPLEMENTARY INFORMATION

WOODFORD COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF ASSETS, LIABILITIES AND DUE TO/FROM OTHER STUDENT GROUPS - ACTIVITY FUNDS

For the Year ended June 30, 2005

	Woodford County High School	Woodford County Middle School	Huntertown Elementary School	Northside Elementary School	Simmons Elementary School	Southside Elementary School	Woodford County Adult Education Center	Woodford County Community Education Center	Totals
Assets									
Cash	\$ 190,198	\$ 49,608	\$ 27,205	\$ 2,889	\$ 5,469	\$ 16,705	\$ 1,719	\$ 132,978	\$ 426,771
Total assets	\$ 190,198	\$ 49,608	\$ 27,205	\$ 2,889	\$ 5,469	\$ 16,705	\$ 1,719	\$ 132,978	\$ 426,771
Liabilities									
Accounts payable	\$ 2,278	\$ 1,437	\$ -	\$ -	\$ -	\$ 271	\$ -	\$ -	\$ 3,986
Due to/from other student groups	187,920	48,171	27,205	2,889	5,469	16,434	1,719	132,978	422,785
Total liabilities and due to/from other student groups	\$ 190,198	\$ 49,608	\$ 27,205	\$ 2,889	\$ 5,469	\$ 16,705	\$ 1,719	\$ 132,978	\$ 426,771

See accompanying independent auditor's report.

WOODFORD COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - ACTIVITY FUNDS

Year ended June 30, 2005

	Woodford County High School	Woodford County Middle School	Huntertown Elementary School	Northside Elementary School	Simmons Elementary School	Southside Elementary School	Woodford County Adult Education Center	Woodford County Community Education Center	Totals
Revenues from student activities	\$ 443,565	\$ 210,733	\$ 46,145	\$ 23,695	\$ 39,799	\$ 61,830	\$ 11,770	\$ 324,926	\$ 1,162,463
Non-instructional expenses	<u>430,213</u>	<u>213,632</u>	<u>47,706</u>	<u>23,393</u>	<u>39,059</u>	<u>63,122</u>	<u>15,262</u>	<u>319,058</u>	<u>1,151,445</u>
Excess (deficit) of revenues over expenditures	13,352	(2,899)	(1,561)	302	740	(1,292)	(3,492)	5,868	11,018
Due to/from other student groups, July 1, 2004	<u>174,568</u>	<u>51,070</u>	<u>28,766</u>	<u>2,587</u>	<u>4,729</u>	<u>17,726</u>	<u>5,211</u>	<u>127,110</u>	<u>411,767</u>
Due to/from other student groups, June 30, 2005	<u>\$ 187,920</u>	<u>\$ 48,171</u>	<u>\$ 27,205</u>	<u>\$ 2,889</u>	<u>\$ 5,469</u>	<u>\$ 16,434</u>	<u>\$ 1,719</u>	<u>\$ 132,978</u>	<u>\$ 422,785</u>

See accompanying independent auditor's report.

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - WOODFORD COUNTY HIGH SCHOOL

Year ended June 30, 2005

	Due To/From Student Group July 1, 2004	Receipts	Disbursements	Due To/From Student Group June 30, 2005
Academic team	\$ 86	\$ 10	\$ 96	\$ -
Advanced placement	1,952	25,015	25,460	1,507
Art club	175	106	72	209
Band account	2,711	79,500	78,687	3,524
Band savings	4,778	15	-	4,793
Baseball	295	12,985	9,630	3,650
Beta club	1,400	3,727	3,412	1,715
Boys basketball	3,726	24,045	23,379	4,392
Boys soccer	7,022	7,787	5,812	8,997
Cheerleaders	-	14,633	13,855	778
Chorus	-	1,672	1,672	-
Class of 2004	2,215	-	2,215	-
Class of 2005	7,059	3,419	6,661	3,817
Class of 2007	4,697	5,852	5,919	4,630
Class 2008	-	1,892	1,012	880
Coke account	-	617	-	617
Creative writing club	499	842	429	912
Cross country	6,058	7,568	9,259	4,367
D. Dinnis scholarship	1,934	-	1,500	434
Dance team	-	1,110	1,052	58
Drama club	3,469	1,926	-	5,395
Drama productions	3,023	2,158	2,382	2,799
Environmental club	904	835	478	1,261
Extended campus	469	62	170	361
FBLA	1,224	2,082	3,306	-
FCA	91	984	735	340
FCS food account	34	4,160	4,020	174
FFA	3,997	9,058	12,921	134
FHA	988	11,118	12,106	-
Film account	-	455	254	201
Football	11,619	34,606	39,263	6,962
French club	86	-	-	86
Freshman Class	-	17,563	12,440	5,123
Future educators	140	60	25	175
German club	53	280	278	55
Girls basketball	-	21,972	21,972	-
Girls soccer	1,297	5,575	4,573	2,299
Girls soccer regional	-	7,008	6,119	889
Golf	-	2,049	2,049	-
Horticulture	3,535	2,079	3,530	2,084
HOSA	65	2,117	2,069	113
Human rights club	-	40	10	30
ID account	12,617	32,731	27,675	17,673
Industrial arts club	168	-	160	8
Industrial arts account	-	160	160	-
International club	64	-	-	64
Key club	456	1,362	1,203	615
Language arts paper	131	-	-	131
Language arts spec.	151	10	-	161

WOODFORD COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN DUE TO/FROM OTHER STUDENT GROUPS - WOODFORD COUNTY HIGH SCHOOL

Year ended June 30, 2005

	Due To/From Student Group July 1, 2004	Receipts	Disbursements	Due To/From Student Group June 30, 2005
Library	-	2,138	1,626	512
Lost & Damaged books	-	497	476	21
Mat maids	390	-	390	-
Media account	2,466	7,080	5,221	4,325
Miscellaneous	-	6,506	3,470	3,036
Needs account	-	200	16	184
Newspaper	21,919	11,878	15,158	18,639
Parking log	130	5,535	4,119	1,546
Pep club	1,124	680	10	1,794
Pepsi account	-	1,021	-	1,021
SADD Club	1,123	484	794	813
Smoking account	161	-	161	-
Softball	1	3,953	3,954	-
Spanish club	693	485	443	735
Spanish honor society	15	1,130	499	646
Spirit store	2,175	3,681	4,066	1,790
Student council	36	2,554	759	1,831
Student incentives	736	1,842	-	2,578
Swimming	-	2,182	1,429	753
Technology account	400	-	27	373
Tennis	521	2,414	2,935	-
Textbook fee account	46	31,556	31,582	20
Track	3,035	3,011	5,188	858
Vo-ag account	1,005	2,144	443	2,706
Vo-ag CD	37,000	-	-	37,000
Vo-ag scholarship	2,131	431	700	1,862
Vo-ag shop	1,827	4,301	4,119	2,009
Volleyball	667	9,952	7,776	2,843
W.C. Montgomery Scholarship	4,496	1,900	1,950	4,446
Woodford singers	1,154	150	99	1,205
Woods/Carpentry	699	827	256	1,270
Wrestling	834	11,017	11,851	-
Yellow Jacket Camp	20	-	-	20
YES Club	404	-	158	246
Young Farmers	172	573	320	425
Subtotal	174,568	471,367	458,015	187,920
Transfers	-	27,802	27,802	-
	<u>\$ 174,568</u>	<u>\$ 443,565</u>	<u>\$ 430,213</u>	<u>\$ 187,920</u>

WOODFORD COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

GENERAL FUND

Year ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Property taxes	\$ 5,947,465	\$ 5,947,465	\$ 6,039,908	\$ 92,443
Motor vehicle taxes	701,392	701,392	759,853	58,461
Utility taxes	1,200,000	1,200,000	1,516,267	316,267
Distilled spirits taxes	112,147	112,147	83,799	(28,348)
Other taxes	-	-	67,622	67,622
Tuition and fees	27,800	27,800	18,661	(9,139)
Earnings on investments	75,000	75,000	176,152	101,152
Other local revenues	32,500	32,500	-	(32,500)
State sources				
SEEK	8,326,402	8,326,402	8,284,615	(41,787)
On-behalf revenues	-	-	3,203,132	3,203,132
Other	18,500	18,500	22,858	4,358
Federal - indirect	15,000	15,000	6,422	(8,578)
Other revenues	-	-	577,003	577,003
Total revenue	<u>16,456,206</u>	<u>16,456,206</u>	<u>20,756,292</u>	<u>4,300,086</u>
Expenditures				
Instruction	11,026,508	11,025,509	13,574,863	(2,549,354)
Support services				
Student	678,051	678,051	745,386	(67,335)
Instruction staff	568,315	568,315	635,995	(67,680)
District administration	627,001	627,001	664,660	(37,659)
School administration	1,037,510	1,038,510	1,190,324	(151,814)
Business	319,314	291,065	298,936	(7,871)
Plant operation and maintenance	1,770,207	1,770,207	2,392,928	(622,721)
Student transportation	1,287,043	1,287,043	1,430,394	(143,351)
Central office	158,354	158,353	163,412	(5,059)
Community service activities	-	28,248	30,526	(2,278)
Contingency	650,000	762,983	-	762,983
Total expenditures	<u>18,122,303</u>	<u>18,235,285</u>	<u>21,127,424</u>	<u>(2,892,139)</u>
Excess (deficit) of revenues over expenditures	(1,666,097)	(1,779,079)	(371,132)	1,407,947
Proceeds from sale of fixed assets	1,800	1,800	19,889	18,089
Operating transfers out	(45,000)	(45,000)	(47,659)	(2,659)
Total other financing sources (uses)	<u>(43,200)</u>	<u>(43,200)</u>	<u>(27,770)</u>	<u>15,430</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,709,297)	(1,822,279)	(398,902)	1,423,377
Fund balance, June 30, 2004	<u>1,709,297</u>	<u>1,822,279</u>	<u>1,890,459</u>	<u>68,180</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,491,557</u>	<u>\$ 1,491,557</u>

WOODFORD COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on investments	\$ 100	\$ 100	\$ 525	\$ 425
Other local revenues	49,362	68,395	103,827	35,432
State sources				
Other	813,004	955,163	899,087	(56,076)
Federal - indirect	1,309,942	1,319,132	1,420,768	101,636
Total revenue	<u>2,172,408</u>	<u>2,342,790</u>	<u>2,424,207</u>	<u>81,417</u>
Expenditures				
Instruction	1,867,875	2,019,337	2,078,611	(59,274)
Support services				
Student	-	-	-	-
Instruction staff	128,261	128,261	150,371	(22,110)
District administration	-	-	-	-
School administration	-	-	-	-
Business	42,356	-	-	-
Plant operation and maintenance	-	-	-	-
Student transportation	-	-	-	-
Central office	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Community service activities	178,916	240,192	242,884	(2,692)
Debt service	-	-	-	-
Other expenditures	-	-	-	-
Contingency	-	-	-	-
Total expenditures	<u>2,217,408</u>	<u>2,387,790</u>	<u>2,471,866</u>	<u>(84,076)</u>
Deficit of revenues over expenditures	(45,000)	(45,000)	(47,659)	(2,659)
Other financing sources (uses)				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	45,000	45,000	47,659	2,659
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>45,000</u>	<u>45,000</u>	<u>47,659</u>	<u>2,659</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, June 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WOODFORD COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2005

	CFDA Number	Pass-Through Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Title I - Migrant	84.011	0531-05	\$ 42,488
Title I	84.010	0531-05	314,947
Title I	84.010	0531-04	34,206
Title I - Part D	84.013	5314-05	53,048
Title IIA - Teacher Quality	84.367	0710-05	153,575
Title IIC - Vocation Education	84.048	5462-05	29,784
Title IID - Education Technology	84.318	05-3851	9,225
Title IV - Safe and Drug Free Schools	84.186	0590-05	13,521
Title IV - Safe and Drug Free Schools	84.186	0590-04	5,241
Title V	84.298	5344-05	10,617
Title V	84.298	5334-04	8,328
IDEA B	84.027	0591-05	552,271
IDEA B	84.027	0591-04	82,550
IDEA B Preschool	84.173	0587-05	34,246
IDEA B Preschool	84.173	0587-04	3,167
Job Coach Program	84.126	0552-05	521
Passed through KY Workforce Development Cabinet			
Title III - Limited English Proficient	84.365	0535-05	18,072
Title III - Limited English Proficient	84.365	0535-04	76
Adult Education - Institutional Corrections	84.002	0535-05	5,000
Adult Education - Developmental funds	84.002	0535-05	8,554
Adult Education - State Portion	84.002	0535-05	74,009
Adult Education - Federal Portion	84.002	0535-05	28,780
DAEL Staff Development	84.002	0535-05	2,156
Tech Prep	84.243	0535-05	5,500
Total U.S. Department of Education			1,489,882
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education			
National School Lunch Program	10.555	0575-01-03	381,995
National School Breakfast Program	10.559	0575-01-03	85,154
Passed through the Kentucky Department of Agriculture			
Food Distribution Program	10.550	N/A	75,438
Total of U.S. Department of Agriculture			542,587
<u>U.S. Department of Health and Human Services</u>			
Service Learning Youth Council	94.004	N/A	3,000
Total U.S. Department of Health and Human Services			3,000
<u>National Science Foundation</u>			
Passed through Jessamine County Board of Education			
Appalachian National Math and Science	47.049		500
Total National Science Foundation			500
Total Expenditures of Federal Awards			\$ 2,035,969

WOODFORD COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2005

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Woodford County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations.

WOODFORD COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

Section I-Summary of Auditor's Results Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____yes X none reported
- Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes X none reported

Type of auditor's report issued on compliance for major programs (unqualified):

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes X no

Identification of major programs:

- | <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------------|---|
| 84.010
84.027, 84.173 | Title I
Special Education Cluster |
- Dollar threshold used to distinguish Between type A and type B programs: \$300,000
 - Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement of Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

WOODFORD COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS

Year ended June 30, 2005

There were no prior year audit findings.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of
Woodford County School District

We have audited the financial statements of Woodford County School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Woodford County School District, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on their determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodford County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated September 1, 2005.

This report is intended for the information of the Board of Education, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Lexington, Kentucky
September 1, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Woodford County School District

Compliance

We have audited the compliance of Woodford County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Woodford County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Woodford County School District's management. Our responsibility is to express an opinion of Woodford County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Woodford County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Woodford County School District's compliance with those requirements.

In our opinion, the Woodford County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Woodford County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Woodford County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

This report is intended for the information of the Board of Education, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mountjoy & Brasler, LLP
Lexington, Kentucky
September 1, 2005

MANAGEMENT LETTER COMMENTS

Members of the Board of Education of
Woodford County School District
Lexington, Kentucky

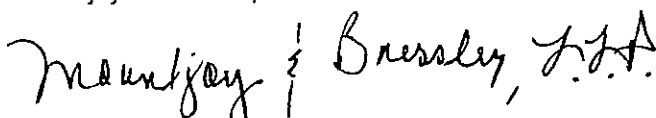
In planning and performing our audit of the financial statements of Woodford County School District for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated September 1, 2005 contains our report on the District's internal control structure. This letter does not affect our report dated September 1, 2005 on the financial statements of Woodford County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Mountjoy & Bressler, LLP



Lexington, Kentucky
September 1, 2005

WOODFORD COUNTY HIGH SCHOOL

MANAGEMENT LETTER COMMENTS

June 30, 2005

Dual Signatures

One instance was noted where a check did not have dual signatures. According to the "Accounting Procedures for Kentucky School Activity Funds" all checks should be signed by both the principal and the bookkeeper.

Management's Response

The bookkeeper will double check all checks for dual signatures before issuing the check. The principal and bookkeeper know that this is required, and will see to it that all checks have dual signatures.

Deposit of Receipts

Timely deposits were not made in accordance with the "Accounting Procedures for Kentucky School Activity Funds". Cash receipts of more than \$100 should be deposited on the day collected. We recommend that all activity funds be given to the bookkeeper and that the bookkeeper issue pre-numbered receipts and make deposits daily.

Management's Response

Deposits will be made daily at the close of business, and money collected during evening events will be deposited the next business day. The bookkeeper will oversee this daily. Both the bookkeeper and principal understand that this is required

WOODFORD COUNTY MIDDLE SCHOOL

MANAGEMENT LETTER COMMENTS

June 30, 2005

Deposit of Receipts

Timely deposits were not made in accordance with the "Accounting Procedures for Kentucky School Activity Funds". Cash receipts of more than \$100 should be deposited on the day collected. We recommend that all activity funds be given to the bookkeeper and that the bookkeeper issue pre-numbered receipts and make deposits daily.

Management's Response

The bookkeeper recognizes that deposit of receipts greater than \$100 must be made on the day collected. The principal and bookkeeper know this is required. The bookkeeper will make deposits daily.

HUNTERTOWN ELEMENTARY SCHOOL

MANAGEMENT LETTER COMMENTS

June 30, 2005

NONE

NORTHSIDE ELEMENTARY SCHOOL

MANAGEMENT LETTER COMMENTS

June 30, 2005

Dual Signatures

One instance was noted where a check did not have dual signatures. According to the "Accounting Procedures for Kentucky School Activity Funds" all checks should be signed by both the principal and the bookkeeper.

Management's Response

The building principal was out of school for maternity leave during this instance. The principal and bookkeeper have met as a financial team to discuss this problem. They do not anticipate this happening in the future. There will be two signatures on all checks.

SIMMONS ELEMENTARY SCHOOL

MANAGEMENT LETTER COMMENTS

June 30, 2005

Voided Checks

Two instances were noted when voided checks were not properly voided. According to the "Accounting Procedures for Kentucky School Activity Funds", the word "void" should appear across the face of the check and the signature portion should be removed.

Management's Response

The principal and the bookkeeper recognize that the word "void" must be written on the face of the check and the signature portion must be removed. They also recognize that this is required. The principal and bookkeeper will ensure that all voided checks have the word "void" written on the face and the signature portion is removed.

Dual Signatures

One instance was noted where a check did not have dual signatures. According to the "Accounting Procedures for Kentucky School Activity Funds" all checks should be signed by both the principal and the bookkeeper. This issue was also noted in the prior year.

Management's Response

The principal and the bookkeeper recognize that all checks must have dual signatures. They also recognized that this is required. The principal and the bookkeeper will ensure that all checks have dual signatures.

SOUTHSIDE ELEMENTARY SCHOOL

MANAGEMENT LETTER COMMENTS

June 30, 2005

NONE

WOODFORD COUNTY ADULT EDUCATION CENTER

MANAGEMENT LETTER COMMENTS

June 30, 2005

NONE

WOODFORD COUNTY COMMUNITY EDUCATION CENTER

MANAGEMENT LETTER COMMENTS

June 30, 2005

Dual Signatures

One instance was noted where a check did not have dual signatures. According to the "Accounting Procedures for Kentucky School Activity Funds" all checks should be signed by both the principal and the bookkeeper.

Management's Response

The director understands that all checks must have dual signatures. The director will ensure that all checks, prior to the check being issued, have dual signatures.